



**Frank J. Kelly**  
President and Chief Executive Officer

**WRITTEN TESTIMONY OF  
FRANK J. KELLY  
PRESIDENT AND CEO, THE DANBURY HOSPITAL  
And DANBURY HEALTH SYSTEMS  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
Monday, March 22, 2010**

**SB 484, An Act Concerning The Governor's Revenue Plan**

Thank you for the opportunity to submit written testimony concerning **SB 484, An Act Concerning The Governor's Revenue Plan**. I urge you to oppose section 10 of this bill, which imposes a 3¼ percent tax on hospital gross revenues.

Danbury Hospital and all Connecticut's hospitals are among the finest in the nation, focused on providing the highest quality and safest possible care. We provide access to the some of the most skilled professionals. The most current programs and technology are expected by patients in our state. Danbury Hospital has been nationally recognized for our efforts in this regard.

Danbury Hospital is a community safety net on many levels. We are integral to the quality of life and health in our communities. Danbury Hospital is the largest employer and a tremendous economic driver for this region. Our employee's number 4,000 and we generate tens of millions of dollars in economic impact for this region. I believe our community would agree that the health of our community is absolutely linked to the health of this hospital.

In 2009, our community benefit investment in health promotion and prevention, charity care and other mission driven programs and services exceeded \$80 million dollars.

Danbury Hospital has lost millions of dollars over the past few years alone due to under-reimbursement for Medicaid and SAGA patients – one of the lowest payment rates in the nation!

In 2008 alone, Connecticut hospitals lost more than \$300 million due to under-reimbursement for Medicaid and SAGA patients. One of the traditional means hospitals use to make ends meet—non-operating (investment) income—more than disappeared, going negative by \$millions for the first time ever in 2008. Instead of investments supporting operations, hospitals posted losses on those

investments of over \$200 million. In addition, since the start of the recession, about 76,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population. **In 2009, Connecticut hospitals took responsible and dramatic steps, including many one-time expense reductions, to make up for these massive shortfalls, but this cannot continue.**

### **Danbury Hospital strongly opposes the Hospital User Tax.**

History instructs us on the disruptive nature of a Hospital User Tax. During the decade when this tax was in force in Connecticut, we learned the following: 1) not all tax dollars will be returned to hospitals; from 1994 to 1999, in addition to retaining the entire increased federal match, the state kept another \$106 million of the tax funds that were supposed to be returned to hospitals; 2) the redistribution of the tax is very volatile – winners and losers change every year; and 3) state budget goals trump the needs of hospitals and patients.

During the 1990s, prior to its repeal, the Hospital User Tax was constantly changed. The driving force for each change was getting or keeping federal dollars. Initially, the tax was intended as an off-budget pool and assessment, which then morphed into two separate taxes in response to a federal lawsuit. At first, the redistribution formula included all government and uninsured shortfalls; it later excluded Medicare and Medicaid inpatient shortfalls. And while hospitals originally were required to tell every patient the tax amount, a further change prohibited hospitals from telling anyone the tax existed at all.

Not much has changed since the last time this onerous tax was imposed. A Hospital User Tax must still be redistributive – in other words, some hospitals will get more than they put in while others will get less. Our analysis indicates that more than half of the hospitals in the state will get less under the new proposal.

Hospital finances are fragile enough – and should not be further stressed to balance the state budget.

Unfortunately, Connecticut hospitals find themselves with their backs up against the wall – needing your help more than ever.

Congress, as part of the American Recovery and Reinvestment Act, provided Medicaid relief to the states in the form of an increase in the federal match rate. The expressed purpose of the relief was to prevent cuts to Medicaid. Connecticut's relief will total \$1.74 billion over the course of 27 months, resulting from an increase in the match rate from 50 percent to 61.59 percent.

**The \$1.74 billion in additional federal Medicaid funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly \$300 million contribution to the General Fund.** Sadly, not one cent of that extra \$1.74 billion is being used to help hospitals cover the increased burden they are experiencing because of the combined 18 percent increase in Medicaid and SAGA enrollment.

Instead of a Hospital User Tax, please let's work together and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and coverage, and make another down payment on bringing provider rates closer to covering the cost of care. In other words, let's help those who need it most and support those providing the help, while at the same time contributing significantly to balancing the state budget.

Thank you for your consideration.